The Anthropology of Financial Intent (Review Essay)

Article (Published Version)

Review essay

Finance and Society
2017, EarlyView: 1-8

doi: TBC

The anthropology of financial intent

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Abstract

Much has been learned about calculation, commodification and marketization from the social studies of markets and finance. But what of capitalization? What is distinctive about this mode of valuation and the reality it impels? What does it mean to live under the 'asset condition'? In *Capitalization: A Cultural Guide*, Fabian Muniesa and his colleagues at the Centre de Sociologie de l'Innovation take us on a tour across multiple continents and several centuries, introducing us to capitalization as a 'cultural syndrome'. Their pragmatist enquiry involves tracing capitalization via the *scenarios* in which value is created, and the *gaze* that stimulates such value-creation. The result is a field guide to the terrain of capitalization that integrates anthropological work on the dramaturgy of finance with sociological attention to the technicalities of valuation. The stage is set for further investigation into the uneven distribution of the capacity to capitalize and its consequences.

Keywords

Capitalization, asset condition, ethnography of finance

Muniesa, F., Liliana, D., Ortiz, H., Pina-Stranger, Á., Paterson, F., Bourgoin A., Ehrenstein, V., Juven, P.-A., Pontille D., Saraç-Lesavre, B. and Yon, G., *Capitalization: A Cultural Guide*, Paris, Mines Paris Tech., 2017, 167 pp., €20.00 (pbk), ISBN 978-2-35671-422-0

There is no denying the impact that the Centre de Sociologie de l'Innovation (CSI) at Mines Paris Tech has had on the 'social studies of markets' or the 'social studies of finance'. At the heart of the CSI's approach to studying markets and finance sits Michel Callon, and his concern with "the permanent work of economy" (Hennion, 2017: 115) that is rendered invisible when attempts are made to explain transactions and price formation in terms of the 'laws' of supply and demand. With Fabian Muniesa, a colleague at CSI and lead author of *Capitalization: A Cultural Guide*, Callon has built a programme of research that rejects explanations of calculative behaviour which invoke "disembodied economic agents reduced to their preferences", as well as those that dissolve "the problem of calculation in the detail of

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ethnographic description" (Callon and Muniesa, 2005: 1230). Instead, close attention should be paid to distributed, socio-technical calculating agencies. Thus, double-entry bookkeeping, stock tickers, valuation formulas, even Bloomberg terminals (Wood et al., 2016) – and countless other calculating agencies – are not to be approached just as efficient tools through which self-contained economic agents pursue their ends. Nor are they mere artefacts of cultural norms that exceed calculative practice. Rather, they are devices that invite and afford particular forms of calculation, performed in tandem with their users.

From here it is a short hop to the notion that economics and economists make or perform markets (Callon, 1998; MacKenzie, 2001); that the economy is 'embedded' not in society but in the distributed calculative agencies that give material form to the ideas of economic agents. Successive iterations of this 'performativity thesis' have been met with strident criticism from anthropologists, historians and even linguists. Muniesa has assigned this broad discomfort with the performativity thesis to the fact that "the ultimate, quite naturalistic, epistemic critique – that of accusing a body of science of being wrong – is jeopardized within the performative idiom" (Muniesa, 2014: 38). Abandoning the naturalistic perspective, Muniesa advocates drawing on pragmatist thought to examine "what it is to make something economic or to economize something", with an eye on the notion that "formulating reality in capitalist terms might, in some circumstances, transform the formulated reality" (ibid., 29-35). But what is it to formulate reality in capitalist terms, to *capitalize*? In *Capitalization: A Cultural Guide*, Muniesa and his colleagues at the CSI respond to a 2011 seminar at Paris Mines Tech in which participants were asked to "Describe an act of capitalization (one page)", but left "clueless and disoriented" (7). This collectively authored result is styled as a travel guide to the terrain of capitalization: that "pervasive form of valuation that propels consideration of return on investment and shapes our world accordingly" and which pertains to "finance proper", but is also about "*more* than that" (11). The urgency of the volume is given by the fact that the social studies of markets and finance – as well as economic anthropology and science and technology studies (see Birch, 2016; Kalb, 2013) – have focused excessively on *marketization* and *commodification* at the expense of an "analysis of capitalistic valuation [which] propels, in our opinion, a quite singular form of reality" (13).

Muniesa and his colleagues' pragmatist concern with the 'reality effects' that different forms of valuation entail leads them to reject the widespread Marxist and heterodox concern with "valuation as a matter of match or mismatch between an object and its representation" (15). Indeed, they are insistent that this is "not a book on the economics (heterodox or not) of capitalization" (20). The operations and effects of capitalization must be traced via the *scenarios* in which value is created, and the *gaze* that stimulates this value-creation. We begin our tour therefore, with Harun Farocki's *Nicht ohne Risiko* (*Nothing Ventured*, 2004), filmed on the premises of a venture capital and private equity firm in Germany. As an inventor and a venture capitalist grapple over the distribution of future revenue streams in light of the risk of a patent dispute, we are introduced to the kinds of encounters upon which the "joint *realization* of the *asset condition*" (34) depends. But how did these capitalization scenarios become possible, and how did the gaze of the investor become oriented towards future flows of revenue?

Remaining in Germany, we jump backwards to 1849, and the work that foresters Edmund Franz von Gehren and Martin Faustmann accomplished in orienting the valuing gaze towards the future. Refining von Gehren's initial efforts to treat value not as something that land 'has', but as something it achieves within a "stream of action" (39), Faustmann developed one of the earliest Discounted Cash Flow (DCF) models. He thus "enabled the valuating gaze to *break free* from the characteristics of its object. The encounter between gaze and object still occurred, but only at the end of the process" (41). In other words, Faustmann distinguished *market value* – the sale price of a forested piece of land at any given moment – from its *economic value*, or potential value at maturity. As might be expected, this impacted upon decision-making. Valuation in terms of discounted potential earnings at maturity gave priority to the present, thus provoking a reality in which shorter rotation lengths were considered sensible.

Notwithstanding the many critiques of DCF models that have been made on the basis of their short-termism and tendency to stifle innovations, the gaze that Faustmann's formula helped to propagate remains foundational to the "cultural syndrome" (23) of capitalization. The "DCF *recipe* might of course sound old-fashioned ... but it definitely provides the traveller with a sense of the *cuisine* of capitalization" (45). And so we remain with forestry, but return to the present and move now to the Batéké Plateau northeast of Kinshasa in the Democratic Republic of Congo. This section of our travel guide draws primarily on Véra Ehrenstein's research into projects registered under the Clean Development Mechanism (CDM). The CDM allows sequestered carbon to be converted into credits, which can be purchased as 'offsets' by polluting firms in the Global North. To register with the CDM, a carbon sequestration project must have a business purpose, allowing it to be "revalued based on the expected commercialization of carbon sequestration benefits" (48). The project on the Batéké Plateau involves planting Acacia, which is then transformed into charcoal. Once again, we see reality being produced through valuation: the project was originally to involve planting Eucalyptus, but cash flows from Acacia can be realized earlier:

> The design of the future forest is based on optimizing its economic viability. Thus, creating the largest possible quantity in the shortest possible time becomes the primary consideration both in the production of wood fuel and of carbon storage ... Or, in other words, it is the logic of entrepreneurial viability that is condensed within the [project design] paperwork that determines the very physical distinctiveness of the future forest. (49)

Capitalization, Muniesa and colleagues argue, is or has a *narrative plot*, in which "the viability of all things resides, primarily, in the asset condition" (52).

But there are, of course, different versions of the capitalization plot. Muniesa and colleagues now return us to meetings between investors and venture capitalists, not dissimilar to those featured in Harun Farocki's film. But this time they are concerned with the capitalization of biotechnology, and there is in fact a foundational sub-plot for biotechnology entrepreneurs. This consists in an encounter between a visionary scientist and a well-connected venture capitalist in the US, which resulted in the formation of Genentech in 1976. But France today is different, and a "shooting script" (55) has to be developed for each individual scenario. The idealised encounter between a visionary scientist and a prescient venture capitalist does not always go to plan. For instance, French innovation policy involves providing tax incentives for individuals investing in five-year innovation funds. Capitalization thus becomes a matter of "appropriation" (63) for investors, and biotech companies are re-organized in accordance with the search for an exit after five years. So the narrative plot of capitalization unfolds in certain scenarios, with contingencies applied according to the setting. But this begs further questions: "Where are the documents in which this literary form is exercised and played with? Where is the plotline of capitalization power inscribed?" (65).

And so we turn to Muniesa and Liliana Doganova's work on business models as capitalization devices (see also Doganova and Muniesa, 2015). Here the legacy of the CSI approach to the social studies of markets and finance, and Muniesa's earlier work on calculation (Callon and Muniesa, 2005), can be clearly discerned. The business model is treated as a "prime calculative space"; a "self-centred surface on which calculative order can be established" (70). It is the coherence between the figures presented in the model, the value proposition (relation between an innovation and its users), the value network (the firm's relation to its competitors) and the revenue model (towards which the investor's gaze is oriented) that counts. The business model is not concerned with prediction. Rather, it is a calculative space concerned with "*transforming* its subject matter into a stream of future cash flows" (72). Thus, it is those who "profile their technologies for capitalization in anticipation of the investor's gaze" (73) that are the most likely to get the chance to blossom.

The business model, then, is the "prime exemplification of the view of capital as semiotic assemblage that we work with in this enquiry" (73). But is it not also, as was suggested in the book's introduction, more than that? Perhaps even "a semiotic *condition* of our time", akin to the "spirit" of capitalism (74)? Where else can we find the asset logic at work? Drawing on Alaric Bourgoin's ethnography of management consultancy, the authorial collective argue that knowledge is ordered by consultants *not* on the basis of its ability to reduce production costs. Rather, knowledge is managed with a view to a consultancy producing future revenue by virtue of the ownership of that know-how as an 'intangible' asset. Management consultancy is like managing capital. And this, they argue, is more than a metaphor; capitalization is a "properly genuine cultural kernel that we find at work there" (77). Likewise, academics seeking employment in institutions embedded within the "scientometric complex" (81) are faced with their scientific activity being altered from within by the logic of capitalization. Importantly, viewing a scientist in terms of their ability to generate a flow of citations – best served by dicing research into 'least publishable units' – does *not* reflect a logic of marketization or commodification. Scientists are not valued in terms of their resale value. What is at stake is prospective return, and the scientists' value becomes the *value of investing in them*.

For Muniesa and colleagues, capitalization is "best understood as a semiotic figuration" (86) – albeit one that has its foundations in the now-tired looking DCF models that were viewed as "vicious", "unsound" (Nitzan and Bichler, 2009: 155-57) or "dangerous nonsense" (Miller, 1991: 740; 1998: 182-85) by accountants and investors as recently as the 1920s and 1930s. What happens, then, when this analysis of capitalization as a widespread cultural syndrome turns back on itself to consider the valuation practice of financial analysts?

The next stop on our tour of the terrain of capitalization draws on Horacio Ortiz's ethnography of financial analysts in Paris, and examines the deployment of Weighted Average Cost of Capital (WACC) models to calculate the Net Present Value of a firm. Here Muniesa and colleagues reinforce their point about the importance of pragmatist inquiry. In a WACC model, the capitalizing gaze emanates from the individual investor, but the distinct position of that investor is negated by the assumptions of the efficient markets hypothesis, which are also folded into WACC calculations (as is the sovereign state, in its guise as a guarantor of the 'risk free' interest rate). The authors' point is that though the "epistemology of the WACC" may require the "agency of a conjectural free investor who overrides the aggregate intelligence of efficient markets, but then quite not" (99), this should not pose a methodological problem. Recalling Muniesa's (2014) earlier challenge to critiques of performativity rooted in a 'naturalist' epistemology:

> Our pragmatist inquiry is not about replacing existing knowledge with a better truth, but about recognizing the arrangements that make reality happen as it happens. And the intellectual collage that forms the WACC happens to work. (99)

How diverse, then, are the capitalization arrangements that 'work'? In the closing chapters of *Capitalization: A Cultural Guide*, Muniesa and his colleagues turn to the provision of public services, and the extension of – if not the asset condition, then "asset conditioning" – to the planning of energy provision, the administration of public hospitals, and the management of nuclear waste. They ask:

> Is not, after all, considering something in terms of capital a synonym of caring for it in the long run, as opposed to, say, just throwing it away, dumping it into the market and cashing profits on the spot? (124)

This is certainly true, they note, for the particular "regime of truth" within which "capitalization *is* power" (125). As Liisa Kurunmaki, Andrea Mennicken and Peter Miller (2016) have recently observed, it is necessary to distinguish between acts of quantification (which may emanate from logics of care and public accountability), acts of economizing (according to the principle of efficiency) and acts of marketizing (organized by competition), if public services are to be managed in an other-than-neoliberal fashion. No doubt we should add the need to parse acts of capitalization oriented towards appropriating value, and those concerned with its long-term curation, to this list.

The authors are clear: "Our cultural guide certainly suggests a polite attitude towards the natives – here the capitalizers … and this implies taking hold of the moral dimension of capitalization before developing, eventually, any moral stance against or in favour of it" (51). But a certain hospitality towards capitalization and its semiotic figuration is not too far from the surface. Thus, returning to Ehrenstein's work on Acacia plantations, carbon credits, and the CDM on the Batéké Plateau:

> This is undeniably about environmental protection, about caring for trees and revaluing the planet. And how do you protect something, trees included, from the perils of dilapidation? In the land of capitalization, you do it by turning things into capital. In a sense, *this is what you do in order to protect something from the vagaries of commodification*. Remember how our inquiry started with an interrogation on the tension between marketization and capitalization. Imagine now what capitalization makes of the environmental metaphor of our planet as a property we inhabit and that we should value more in order to prevent decay. (51)

Certainly, this is reminiscent of E.F. Schumacher's original articulation of the concept of 'natural capital'. Schumacher (1973: 3-5) provided an early warning against treating fossil fuels as freely produced commodities, rather than as revenue realised from "irreplaceable assets". But capitalization can also articulate rather neatly with marketization, commodification, and cost-benefit analysis. Leah Temper and Joan Martinez-Alier (2013) engage with the capitalizing gaze as it has been applied to sacred forests in eastern India, in order to determine whether they were 'worth' protecting, or could be 'compensated' for by bauxite miners set to destroy them. When might pragmatist inquiry need to be ushered away from examining arrangements that work (often violently), and towards articulating 'better truths' about the apportionment and realization of value?

Of course, the authors recognize in closing that the question of whether or not capitalization is good or bad "quite obviously depends on who is sitting in a capitalizing position" (134). If capitalization is power, they argue, it is because the gaze of capitalization and the scenario in which it is put to work "prompt the capacity to constitute reality" (132). But there is, for them, "no particular class of people that would be granted the anthropological exclusivity" of the capitalizing gaze (132). Nonetheless, they set for themselves a duty to "imagine a different setup, an alternative gaze for an alternative becoming, a possibility for this work to be of value without becoming an asset" (134). What escaping the asset condition, and eschewing the desire to capitalize upon this collectively authored volume in order to accrue "peer recognition…and scientific satisfaction" (134) might look like remains to be seen. Nonetheless, some measure of both is surely due to the authorial collective.

The first clear contribution of *Capitalization: A Cultural Guide* involves pushing the social studies of finance and markets away from an exclusive focus on "the rules of entanglement and disentanglement" and "calculative manipulations" that characterize commercial transactions (129-30). It is time that the asset condition, and its distinctive logics, requirements, and entailments were set centre stage. Secondly, Muniesa's authorial collective approaches capitalization as a *cultural* syndrome possessed of a narrative plot, but nonetheless dependent upon particular literary forms and technicalities. This allows them to effectively bridge the gap between existing anthropological studies of finance, which have taken dramaturgy, narrative, and speculative hype as their focus (Appadurai, 2012; Rajan, 2005; Tsing, 2000), and work carried out by members of the CSI and others in the social studies of finance, which has tended to emphasize socio-technical materialities over more diffuse cultural 'imaginaries' (MacKenzie 2007).

Finally, as the authors note, "capitalization is also about reach, one of global proportions," since it "connects distant situations and configures large social realities" (17). And the semiotic figuration of capitalization ensures that the "reality that gets the chance to blossom is necessarily the reality that most approaches the one the investor wants to invest in" (73). Or, as Nick Hildyard (2016: 8) puts it in his recent investigation into the privatization of public service provision in the Global South, infrastructure is "being reworked to provide what finance seeks of it: stable, contracted income streams." As a result, the facilities that would benefit the poorest are increasingly not built. Hildyard asks a similar set of questions to those asked by the authors of *Capitalization: A Cultural Guide*:

> How are roads, bridges, hospitals, ports and railways being eyed up by finance? What bevels and polishes the lens through which they are viewed? How is infrastructure being transformed into 'assets' that will yield the returns now demanded by finance from infrastructure? (Hildyard, 2016: 7).

Here Hildyard has identified, on the one hand, an urgent need to open the black boxes of capitalization, to trace out their global reach and organizational effects. On the other hand, Muniesa and his colleagues have provided us with an elegant and practicable field guide to the capitalization syndrome. The remainder of the journey, they insist, remains "open to the reader's own trail" (127).

Hildyard, however, ends his book by noting that the vast majority of people are unlikely to encounter "infrastructure-as-asset-class" in terms of a financial abstraction (nor, indeed, as a 'gaze' operating in a specific 'scenario'). Instead, people experience the reality formulated by capitalist valuation as

> hikes in their water bills or their electricity being cut off because they can no longer afford to pay the bills; as engineers turning up uninvited to survey their land; … as the dismantling of long-fought-for public healthcare and educational services; and as the rich getting richer while the poor get poorer. In a word: as 'injustice'. (Hildyard, 2016: 88)

Clearly, the asset condition is not always easily reconciled with logics of care or protection. So how might we continue down the trail blazed by Muniesa and colleagues, while maintaining a weather eye on the unjust realities that Hildyard makes his concern? One option would be to borrow from Arjun Appadurai's (2013) work on the *capacity to aspire*, which, he notes, is never evenly distributed. Certain groups and individuals are better equipped to "produce justifications, narratives, metaphors, and pathways through which bundles of goods and services are actually tied to wider social scenes and contexts" (Appadurai, 2013: 188). It may be true, as the authors of *Capitalization: A Cultural Guide* suggest, that no one class may be granted 'anthropological exclusivity' over the capitalizing gaze. But it is certain that the *capacity to capitalize* and effectively formulate capitalist reality is subject to a profoundly unequal distribution. What matters, then, is not only the scenarios in which the capitalizing gaze is activated. We must also ask: who has the capacity to capitalize, and how might the distribution of this capacity help us better understand capitalization – as either a 'synonym for caring', or a synonym for injustice.

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